



## CHARTER OF THE BOARD RISK MANAGEMENT AND RELATED PARTY TRANSACTIONS COMMITTEE

### Document Version Information

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### Document Revision History

<b>Page No.</b>	<b>Rev. No.</b>	<b>Change Description</b>	<b>Effectivity Date</b>
All	0	Initial Issue	
All	1	Revised to align to best practices and AC Energy and Ayala Corporation	

### Document Control

This document shall be reviewed annually by the ACE Philippines, Inc. Board Risk Management and Related Party Transactions Committee.

## **CHARTER OF THE BOARD RISK MANAGEMENT AND RELATED PARTY TRANSACTIONS COMMITTEE**

### **1.0 Purpose**

The Board Risk Management and Related Party Transactions Committee (the “Committee”) of the Board of Directors (the “Board”) of AC Energy Philippines, Inc. (the “Corporation”) is established by the Board to:

- (a) oversee risk governance in AC Energy Philippines, Inc., to ensure that Management maintains a sound risk management framework and internal controls system, and help in the identification of material risk exposures and assessment of its impact; and
- (b) ensure fairness, transparency and integrity in the Corporation’s related party transactions for the protection of all shareholders’ interest.

### **2.0 Committee Structure**

The Committee shall be composed of at least three (3) non-executive directors, majority of whom shall be independent directors of the Corporation. The Board shall designate one member, an independent director, to serve as the Committee Chairman.

The Committee Chairman should not be the Chairman of the Board or of any other committee. At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management, and at least one member of the Committee must have relevant thorough knowledge and experience in the power industry.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

### **3.0 Authority, Roles and Responsibilities of the Committee**

The Committee shall have the following authority, roles and responsibilities:

#### *3.1. Risk*

- (a) Promote an open discussion regarding risks faced by the Corporation, as well as risks faced by its subsidiaries that may have potential impact on the Corporation’s operations, and ensure that risk awareness culture is pervasive throughout the organization.
- (b) Oversee the implementation of a sound, adequate and effective Enterprise Risk Management (“ERM”) framework to effectively identify, monitor, assess, and manage key business risks.
- (c) Review and discuss with Management and endorse to the Board the Corporation’s risk governance structure and adequacy of policies and processes for risk identification, assessment and mitigation.
- (d) Review and recommend to the Management the Corporation’s levels of risk appetite and risk tolerance, and risk exposure allocation for approval by the Board of Directors.
- (e) Review the Corporation’s risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks.

- (f) Monitor the implementation of the Corporation's risk mitigation plans and other risk management activities with the assistance of the risk management function.
- (g) Review and discuss risk management-related reports and issues raised by the Management, internal auditors, external auditors, legal counsel and regulators that impact the Corporation's risk management framework.
- (h) Review disclosures regarding risk contained in the Corporation's Annual Report and other public statements.
- (i) Review the objectivity, effectiveness and efficiency of the Corporation's risk management function in the context of the Corporation's size, scale, complexity and scope of operations.
- (j) Secure independent expert advice on risk management matters where considered necessary or desirable.
- (k) In coordination with the Audit Committee, ensure that the Corporation's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
- (l) Review crisis management, business continuity and disaster recovery plan and the results of annual testing.
- (m) Endorse for the Board's approval the selection of a Chief Risk Officer ("CRO") who is the ultimate champion of risk management in the Company, including ERM and operational risk management.
- (n) Ensure that the CRO has adequate authority, stature, resources, and support to fulfil his/her responsibilities.

### 3.2. *Related Party Transactions ("RPT")*

- (a) Evaluate on an ongoing basis, existing relationships between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- (b) Evaluate all material RPTs to ensure that these are not undertaken on more/less favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk and tax issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
  - (i) The related party's relationship to the Corporation and interest in the transaction;
  - (ii) The material facts and terms of the proposed RPT, including the proposed aggregate value of such transaction;
  - (iii) The benefits to the Corporation of the proposed RPT;
  - (iv) The availability of other sources of comparable products or services; and
  - (v) The purpose and timing of the RPT;
  - (vi) whether the transaction would present an actual or apparent conflict of interest or special risks or contingencies for the Corporation or any of its subsidiaries or affiliates

or the related party, taking into account the size of the transaction and the overall financial position of the related party; and

- (vii) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under the same or similar circumstances.
- (c) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- (d) Report to the Board of Directors on a regular basis, RPTs and changes in relationships, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties. The report shall include information on the approach to managing material conflicts of interest that are inconsistent with policies and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.
- (e) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.
- (f) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures, including the materiality thresholds.

#### **4.0 Meetings and Schedule of Activities**

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be arranged by the Office of the Corporate Secretary, presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. More than half of the total number of committee members, shall constitute a quorum.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer, Chief Finance Officer, Chief Audit Executive, other members of the Management team and/or external auditors, to foster open communication and discuss any matter that the Committee believes to be private and confidential.

The Committee shall also hold additional meetings for review of RPTs as needed. Meetings may, at the discretion of the Committee, include members of the Company's management, legal counsel and such other persons as the Committee or its Chairman may deem fit.

Minutes of the Committee meeting shall be recorded and maintained by the Office of the Corporate Secretary and presented to the Committee at the next meeting for approval.

Aside from regular meetings, the Committee, with the assistance of the Office of the Corporate Secretary shall also construct and agree on an annual calendar, which will lay down the schedule of activities for the year. This shall provide a systematic guide for the discharge of the Committee's responsibilities. Accordingly, the Chief Risk Officer shall ensure that the schedule is followed as planned.

## 5.0 Other Matters

### 5.1 Reports to the Board

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions initiated by the Committee at the Board meeting following the Committee meeting.

Similarly, the Committee Chairman shall also submit and present a year-end report to the Board, providing a summary of the Committee's activities during the year, confirmation of how the responsibilities in this Charter were discharged during the year, results of the assessment performed on the effectiveness of the Committee, and recommendations for improvement.

### 5.2 Performance Evaluation

The Committee shall review its performance annually with respect to the fulfilment of its functions and responsibilities as mandated in this Charter. It shall also subject itself to an independent assessment by the Board of Directors.

### 5.3 Evaluation of CRO

The Committee shall assess the performance of the Chief Risk Officer and the Risk Management Group in the implementation of the Company's risk management framework, the risk management function and risk governance processes, and the Company's RPT policies and processes.

### 5.4 Annual Charter Review

This Charter shall be reviewed annually by the Committee to ensure its continuing adequacy and consistency with the Board's objectives and responsibilities. Any proposed changes shall be approved by the Board.

### 5.5 Access to Information

The Committee shall have reasonably free and full access to the Corporation's data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Corporation.